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RHMCSUU/FBI WASHINGTON DC  
RHEHNSC/NSC WASHDC  
RUEKJCS/SECDEF WASHDC  
RHHJJPI/USPACOM HONOLULU HI  
RUEABND/DEA HQ WASHDC

UNCLAS SECTION 01 OF 07 JAKARTA 003181

SIPDIS

SENSITIVE  
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DEPT FOR EAP, EAP/MTS, INL, INL/AAE  
DEA SINGAPORE FOR COUNTRY ATTACHE RUSSEL HOLSKES  
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SUBJECT: COUNTERNARCOTICS STRATEGY REPORT (INSCR) PART II:  
MONEY LAUNDERING; FINANCIAL CRIMES

REF: A. STATE 137250  
[1](#)B. STATE 136787  
[1](#)C. STATE 136782  
[1](#)D. STATE 136780

[1](#)1. (U) This message is Sensitive but Unclassified -- Please handle accordingly.

[1](#)2. (SBU) SUMMARY: Indonesia--the fourth largest country in population in the world--has historically has not been considered a major drug producing, consuming or transit country. However, in recent years Indonesia has experienced a major increase in the production, transshipment, trafficking and consumption of narcotics. The executive branch of the Indonesian government has made anti-corruption efforts a major policy initiative along with counter-terrorism and counternarcotics. Since 2002, Indonesia has seen a significant increase in the number of large-scale clandestine MDMA and methamphetamine laboratories seized by Indonesian authorities.

[1](#)3. SUMMARY (Cont'd): MDMA and methamphetamine production syndicates exploit Indonesia's lax precursor chemical controls and use corrupt means to operate with relative impunity. These clandestine laboratories are capable of producing multi-hundred kilogram quantities of amphetamine type substances (ATS). However, in August 2006, there was a highly successful police raid. In addition, regional drug trafficking syndicates are exploiting Indonesia's 1.2 million miles of coastline, lack of border and port security resources, etc., for the transshipment of heroin and ATS. Increases in narcotics production/trafficking have been mirrored in drug abuse rates. These rates--specifically intravenous drug use--combined with substandard health care, rehabilitation and demand reduction programs has resulted in a significant increase in HIV/AIDS infection. END SUMMARY

[1](#)4. (SBU) Indonesian counter narcotics code is sufficiently inclusive to enable police, prosecutors and the judiciary to arrest, prosecute and adjudicate narcotics cases. Nevertheless corruption in Indonesia is problematic. Among the 161 countries ranked by Transparency International in their Corruption Index, Indonesia was ranked 130th, making it one of the most corrupt countries in the world. The level of

political corruption in Indonesia seriously limits the effectiveness of all law enforcement, including narcotics law enforcement and poses the most significant threat to the country's counter drug strategy. However, the current INP Chief Sutanto is committed to reducing corruption and illegal activities by members of the police. Sutanto has made significant progress in internal investigation reform, human rights and governance of the organization. In 2006 over 4000 officers were disciplined for violations of the Code of Ethics and Discipline Code with 230 officers being terminated for ethics violations

alone. The INP leadership has been consistently improving, with the integration of more modern law enforcement management systems and procedures including anti-corruption efforts.

¶5. (SBU) The Indonesian National Police (INP) participates in several international donor-initiated training programs and continues to commit increased resources to counter narcotics efforts. The INP has received both specialized investigative training and equipment, including vehicles, software, safety and tactical equipment to support its efforts against crime and drugs. INP efforts are firmly based on counter narcotics legislation and international agreements. The INP relies heavily on assistance from major international donors, including the U.S. Indonesia is a party to the 1988 UN Drug Convention.

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STATUS OF COUNTRY  
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¶6. (SBU) In 2006 Indonesian authorities continued to seize

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large-scale clandestine methamphetamine and MDMA laboratories, suggesting that Indonesia is quickly becoming a manufacturing site for narcotics. As recently as 2005, Indonesia has been the second largest non-US importer of pseudoephedrine. Lax and inadequate precursor chemical controls combined with porous borders and endemic levels of corruption continues to be a significant threat to Indonesia's counter drug efforts.

¶7. (SBU) The Indonesian National Narcotics Board (BNN) estimates that approximately 3.2 million people or, 1.5 percent of Indonesia's total population are drug abusers. According to Indonesian National Police (INP) arrest data, in 2006, the INP conducted 14,105 narcotics investigations. All major groups of illegal drugs are readily available in Indonesia; methamphetamine, primarily in its form, MDMA, as well as, heroin, marijuana and small user quantities of cocaine.

¶8. (SBU) Based upon INP arrest data, marijuana is the most commonly abused drug in Indonesia. During 2006, out of 14,105 narcotics investigations, 7,257 investigations were for marijuana. During 2006, out of 14,105 narcotics investigations, 7,257 investigations were for marijuana. Similarly, during 2006, INP arrested 6,898 people were arrested for marijuana consumption and 5,897 were arrested from distribution.

¶9. (SBU) Methamphetamine is the second most commonly abused drug in Indonesia. INP reports methamphetamine in Indonesia is most often seized in its crystalline form. During 2006, out of 14,105 narcotics investigations, 3,125 investigations were for methamphetamine. Similarly, during 2006, INP arrested 3,333 people for methamphetamine consumption and 1,712 were arrested for distribution.

¶10. (SBU) INP reports that heroin is the third most commonly abused drug in Indonesia. Despite Indonesia's proximity to the golden triangle, heroin from sources of supply in Southwest Asia is the predominant type of heroin in Indonesia and is increasingly abused and available throughout the

country. During 2006 INP conducted 2,143 heroin investigations, during which 1,631 individuals were arrested for consumption and 979 were arrested for distribution.

¶11. (SBU) MDMA is readily available throughout Indonesia and is predominately consumed in nightclubs and discotheques. Per INP, MDMA is the fourth most commonly abused drug in Indonesia. During 2006, out of 14,105 narcotics investigations, 1,548 investigations were for MDMA. Similarly, during 2006, INP arrested 1,278 people were arrested for methamphetamine consumption and 1,051 were arrested for distribution.

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COUNTRY ACTIONS AGAINST DRUGS IN 2006  
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¶12. (SBU) policy initiatives: The Indonesian counter narcotics code is sufficiently inclusive to enable, police, prosecutors and judiciary to arrest, prosecute and adjudicate narcotics cases. Under Indonesian Laws No. 22/1997 on narcotics and 5/1997 on psychotropic substances, the Indonesian courts have sentenced approximately 57 drug traffickers to death. The continued lack of modern detection, enforcement and investigative methodologies and technology, and pervasive corruption, are the greatest obstacles to advancing Indonesia's anti-drug efforts.

¶13. (SBU) During 2006, the Government of Indonesia (GOI), via the Indonesian National Narcotics Board (BNN), the government agency responsible for the coordination of Indonesian counter narcotics efforts, signed an Association of Southeast Asian Nations (ASEAN) declaration stating Indonesia's commitment for a "drug-free ASEAN 2015". "Drug-Free ASEAN 2015" is a political commitment of the ASEAN member countries, of which Indonesia is a member, in achieving a drug free condition by

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the year 2015.

¶14. (SBU) According to BNN, the GOI has established new policies and strategies, in a "goal oriented rolling Plan of Action", consisting of stages covering 3 years for each stage. These stages will continue until Indonesia reaches a drug-free condition, hopefully by 2015. Specifically Indonesia has established a National Drug Control Plan which addresses the illicit drug supply and demand reduction. The goals and targets for the GOI's drug control plan were developed from the 1998 UNGRASS and ASEAN and China Cooperative Operations in Response to Dangerous Drugs (ACCORD) plan of action.

¶15. (SBU) The mission of Indonesia's National Drug Plan is to: 1) To reduce illicit drug supply, trafficking and production; 2) To reduce drug use among the Indonesian youth; and 3) To minimize the harmful effects of drugs and drug use in Indonesian society.

¶16. (SBU) The primary policy goals of Indonesia's National Drug Plan are to: 1) To minimize the level of illness, disease, injury and premature death associated with the use of illicit drugs; 2) To minimize the level and impact of drug-related crime and violence within the community; and 3) To minimize the loss of productivity and other economic costs associated with illicit drug use.

¶17. (SBU) In March 2007, lawmakers from Indonesia's House of Representatives Commission III and the National Narcotics Agency (BNN) proposed a new regulation, to be attached to the national narcotics law which would allow for law enforcement agencies to confiscate convicted drug traffickers assets to fund Indonesia's drug trafficking eradication program. The aim of the proposed regulation is to deny drug trafficking networks of their assets. Under the new regulation assets seized by the GOI would be used to rehabilitate impoverished drug abusers and would serve to supplement the budget of the

BNN. The BNN receives approximately \$30 million (USD) per year from the state budget, far below \$53 million (USD) the agency requests for its yearly budget.

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ACCOMPLISHMENTS: LAW ENFORCEMENT EFFORTS  
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¶18. (SBU) According to INP arrest data, prosecutions for drug possession, trafficking and manufacturing have decreased in to 14,105 cases in 2006 from 14,515 cases in 2005. Data provided by the GOI seems to suggest that the increase noted in 2005 where prosecutions for drug possession, trafficking and manufacturing had quadrupled to 14,515 from 3,617 in CY-2001 has stabilized in 2006.

¶19. (SBU) The BNN continues to strive to improve interagency cooperation in drug enforcement, interdiction, and precursor control. In 2005, under the auspices of BNN, the USG sponsored PACOM JIATF West Joint Interagency Counter Drug Operations Center (JIACDOC) was opened in Jakarta, Indonesia. In 2006, the BNN had begun staffing and subsequently utilizing the JIACDOC's facilities to improve coordination and information exchange between various Indonesian law enforcement agencies and supporting ongoing narcotics investigations.

¶20. (SBU) The INP Narcotics and Organized Crime Directorate continues to improve in its ability to investigate and dismantle international drug trafficking syndicates, as well as, cooperate with other international law enforcement agencies. The Narcotics Directorate has become increasingly active in the regional targeting conferences designed to coordinate efforts against transnational drug and crime organizations. In 2006, INP attended the Drug Enforcement Conference (IDEC) held in Montreal, Canada. INP's Director for Narcotics and Organized Crime was subsequently appointed as the Chairman of the East Asia Regional IDEC Working Group.

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CORRUPTION  
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¶21. (SBU) Indonesia has laws against official corruption and an effective anti-corruption commission; but despite these laws, corruption in Indonesia is endemic. As a matter of government policy and practice, the GOI does not encourage or facilitate the illicit production or distribution of drugs or the laundering of proceeds from illegal transactions.

¶22. (SBU) Corruption of Indonesia's judiciary is pervasive and poses a significant threat to the country's counter drug strategy. Indonesian prosecutor's low wages encourage official corruption and a low level of motivation. The average salary of an Indonesian prosecutor with 30 years of seniority is approximately \$400 USD a month. Furthermore, corrupt police and prosecutors abuse their authority in illegal searches, as Indonesian courts do not exclude evidence obtained without a warrant. Corrupt prosecutors are suspected of carrying out investigations to elicit bribes from suspects. Corruption within the police force has led to corrupt officers in narcotics cases, asking for bribes, for a reduction in charges, with the defense attorneys serving as facilitators.

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AGREEMENTS AND TREATIES  
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¶23. (SBU) Indonesia is a party to the 1988 UN Drug Convention against The Illicit Traffic in Narcotic Drugs and Psychotropic Substances. During January 2007, delegations from the U.S. and Indonesia met in Jakarta for the initial negotiations to develop a mutual legal assistance treaty

(MLAT) between the two countries. The delegations exchanged information about their respective legal systems and mutual legal assistance practices, and began drafting a text from each of the proposals. Articles of the proposed MLAT addressed prevention of crime, scope of assistance, the types of evidence to be covered by the treaty, intellectual property rights, dual criminality between the U.S. and Indonesia, and delegation of central authorities in the U.S. and Indonesia for MLAT related requests.

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CULTIVATION/PRODUCTION  
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¶24. (SBU) The large-scale production of MDMA and methamphetamine is one of the most significant drug trafficking threats in Indonesia. Indonesian/Chinese trafficking syndicates exploit Indonesia's lax precursor chemical controls, weak law enforcement and political corruption to establish large-scale clandestine MDMA and methamphetamine laboratories capable of producing multi-hundred kilogram quantities. These syndicates utilize supply sources from the Peoples Republic of China (PRC) for precursor chemicals and laboratory equipment. Production syndicates rely upon chemists trained in the Netherlands for the production of MDMA, as well as chemists from Taiwan and Hong Kong for the production of crystal methamphetamine.

¶25. (SBU) Historically the production of MDMA and crystal methamphetamine in Indonesia has never occurred in the same laboratory. The common practice is separate production syndicates that specialize in either MDMA or methamphetamine. However, in the 2005, INP seized the world's first combination clandestine MDMA/methamphetamine laboratory in near Jakarta, Indonesia. This large-scale dual MDMA/methamphetamine laboratory was the third largest clandestine laboratory seized by law enforcement in the world and was capable of producing thousand pound quantities. Subsequent investigation revealed that the construction of this clandestine laboratory was directed by Chinese organized crime syndicates based in Hong Kong and mainland China. This syndicate utilized chemists from Taiwan for the production of

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methamphetamine and chemists from the Netherlands for the production of MDMA.

¶26. (SBU) Marijuana is cultivated throughout Indonesia and the equatorial climate of Sumatra allows for year round growing and cultivation of marijuana. Large-scale (greater than 20 hectares) marijuana cultivation occurs in the remote and sparsely populated regions of the province, often in mountainous topography. Regional marijuana cultivation syndicates are believed to be exploiting INP's limitations by locating cultivation sites in remote and high elevation areas. There is no known cultivation of heroin or cocaine in Indonesia.

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DRUG FLOW AND TRANSIT  
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¶27. (SBU) The Indonesian National Police (INP) report that the majority of heroin seized in Indonesia originates from supply sources in Southwest Asia. The heroin trade in Indonesia is predominantly controlled and directed by West Africans; Nigerians. Heroin is smuggled by West African and Nepalese trafficking organizations utilizing sources of supply in Karachi, Pakistan and Kabul, Afghanistan. West African and Nepalese couriers travel utilizing commercial air carriers transiting Bangkok, Thailand, and India, en route to Jakarta, Indonesia. In addition to heroin being trafficked domestically in Indonesia, heroin is also transshipped from Indonesia, by couriers traveling via commercial air carrier to Europe, Japan and Australia.



¶28. (SBU) Historically, MDMA has been smuggled into Indonesia from sources of supply in the Netherlands. However, in recent years Indonesia is experiencing an increase in the large-scale MDMA and methamphetamine production. The large-scale production of MDMA and methamphetamine is one of the most significant drug trafficking threats in Indonesia. MDMA and methamphetamine produced in Indonesia is trafficked both domestically and internationally. Since 2002, Indonesian/Chinese MDMA and methamphetamine production syndicates have established numerous large-scale clandestine MDMA and methamphetamine laboratories capable of producing multi hundred kilogram quantities, utilizing precursor chemicals from the Peoples Republic of China (PRC). In addition, MDMA and methamphetamine produced in the PRC is smuggled to Indonesia by Chinese organized crime syndicates based in Hong Kong, in multi hundred kilogram quantities by sea. Specifically, Indonesian authorities cite that two of the largest methamphetamine seizures of 2006, 200 kilograms (February 2006) and 956 kilograms (August 2006), originated from the PRC and were smuggled on via maritime cargo and fishing vessels.

¶29. (SBU) INP reports that marijuana trafficking in Indonesia is controlled by Indonesian trafficking syndicates based out of Jakarta. The majority of marijuana cultivated in Indonesia is consumed domestically and typically is not trafficked on the international market. Although cocaine seizures continue to occur in major Indonesian airports, the market for cocaine in Indonesia is believed to be very small.

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DEMAND REDUCTION  
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¶30. (SBU) The Government of Indonesia views drug abuse and narcotics trafficking as a major long term threat to social, Islamic and political stability. Government agencies continue to promote anti-drug abuse and HIV/AIDS awareness campaigns in throughout various media avenues. The Indonesian National Narcotics Board (BNN) is responsible for the development of Indonesia's demand reduction programs. During 2006, BNN engaged in a large anti narcotics campaign targeting a wide demographic of Indonesia's citizenry. No statistics exist regarding the success of these anti drug abuse programs.

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U.S. POLICY INITIATIVES AND PROGRAMS  
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¶31. (SBU) Bilateral Cooperation: Indonesia and the United States maintain excellent law enforcement cooperation in narcotics cases. During 2006, the United States sent hundreds of INP officers to training on a variety of transnational crime topics. Furthermore, 120 Indonesian law enforcement officers attended training at the International Law Enforcement Academy (ILEA) in Bangkok. Similarly, training and development initiatives by Department of State INL funded DOJ ICITAP Indonesia Program, DEA, and PACOM JIATF West has trained hundreds of law enforcement officers from a variety of Indonesian government agencies. In 2006, DEA provided training in the areas of drug intelligence analysis, precursor chemical control, basic drug investigations and airport narcotics interdiction. INP and BNN maintain excellent relationships with the DEA regional office in Singapore and continue to work closely with DEA in narcotics investigations.

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THE ROAD AHEAD  
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¶32. (SBU) In 2007 the U.S. will assist the BNN and its member agencies further utilizing the resources and capabilities of

the Counter Drug Operations Center and Network. The U.S. will further work with INP and BNN to standardize and computerize the reporting methods related to narcotics investigations and seizures; development of a drug intelligence database; building an information network designed to connect to the major provinces of Indonesia. This will permit Indonesian law enforcement to contribute to, and access the database for investigations. Similarly, the U.S. will work with INP and BNN to further expand the scope and impact of narcotics investigations targeting the large scale production of methamphetamine and MDMA in Indonesia. The U.S. and Indonesia will continue to cooperate closely on narcotics control.

#### ----- STATISTICAL TABLES -----

133. (SBU) Recorded drug cases, including trafficking throughout Indonesia:

2001: 3,013  
2002: 3,544  
2003: 3,729  
2004: 7,753  
2005: 20,023  
2006: 14,105

#### Drugs Seized:

	Heroin (kg)	Cocaine (kg)	Cannabis (metric ton)	MDMA (tablets)	Meth. (kg)
2001	13.5	15.2	15.7	22,627	412.5
2002	19.0	8.3	59.8	68,324	46.2
2003	13.0	13.4	43.3	183,721	16.3
2004	12.7	6.32	50.4	251,072	28.4
2005	17.71	1.0	20.9	233,467	318.15
2006	11.9	1.12	111.17	466,907	1,241.2

2005 Marijuana Plants: 160,211  
2006 Marijuana Plants: 1,019,307

#### ----- CHEMICAL CONTROL -----

134. (SBU) Overview: The GOI, in an effort to more effectively and efficiently control precursor chemicals and

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pharmaceutical drugs, reorganized the Ministry of Trade and Industry and the Ministry of Health. In 2004 the Ministry of Trade became a separate agency from the Ministry of Trade and Industry. Currently the Ministry of Trade is responsible for licensing of non-pharmaceutical precursor chemical imports. Similarly, in 2005, the Ministry of Health, assumed responsibility for the management of pharmaceutical precursor chemical licenses, from the National Agency for Drug and Food Control (formerly known as Department of Drug and Food Control under the Ministry of Health. While the National Agency for Drug and Food Control now only controls post-market or finished products of precursor chemicals.

135. (SBU) Ministry of Health and Ministry of Trade accept, review, and approve precursor chemical import applications for pharmaceuticals and non-pharmaceuticals. The import applicants are categorized into Importer Producer (IP) and Register Importer (RI) but more commonly identified as IT, Importer Trader). All prospective applicants desiring to import precursor chemical must submit a drug registration application to obtain market authorization as IP or IT to the respective ministries.

#### ----- IDENTIFICATION OF PRECURSOR CHEMICAL DIVERSION -----

136. (SBU) The diversion and unregulated importation of precursor chemicals remains a significant problem facing Indonesia's counter drug efforts. To date, Indonesian Authorities have been unsuccessful in controlling the diversion of precursor chemicals and pharmaceuticals. Numerous pharmaceutical and chemical corporations have large operations throughout Indonesia. In June 2006, the Indonesian National Police in cooperation with the Australian Federal Police (AFP) identified more 380 kgs of pseudoephedrine that had been diverted from PT Glaxo Wellcome Indonesia, by a single trafficking syndicate based in Jakarta and Sydney, Australia.

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 EPHEDRINE AND PSEUDOEPHEDRINE IMPORTS AND QUOTAS  
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137. (SBU) The International Narcotics Control Board (INCB) lists Indonesia's quota for ephedrine imports as 12,339 kgs and 30,221 kgs for pseudoephedrine imports. According to available data from the state agencies visited, import of precursor chemicals pseudoephedrine and ephedrine to Indonesia between Nov 04 and May 06 are as follows:

Chemical	Quantity (kg)
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EPHEDRINE

Quota, Nov 04-Mar 06	14,740.00
Quota, Apr-May 06	8,522.35
Total Quota, Nov 04-May 06	23,262.35
Import, Nov 04-Mar 06	-12,494.98
Import, Apr-May 06	-6,525.00
Total Imported, Nov 04-May 06	-19,019.98
Quota Balance as of May 06	4,242.37

PSEUDOEPHEDRINE

Quota, Nov 04-Mar 06	40,550.00
Quota, Apr-May 06	10,835.00
Total Quota, Nov 04-May 06	51,385.00
Import, Nov 04-Mar 06	-29,675.00
Import, Apr-May 06	-8,443.00
Total Imported, Nov 04-May 06	-38,118.00
Quota Balance as of May 06	13,267.00

HUME